

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CLINTON COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2005**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$30,088 from the prior year, resulting in excess fees of \$32,208 as of December 31, 2005. Revenues increased by \$35,268 from the prior year and expenditures increased by \$5,180.

**Report Comments:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts
- The Sheriff Should Submit An Annual Settlement To The Fiscal Court

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11
COMMENTS AND RECOMMENDATIONS .....	15





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Clinton County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts
- The Sheriff Should Submit An Annual Financial Settlement To The Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

March 22, 2007



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	8,153	
State Fees For Services:			
House Bill 413	\$	2,144	
House Bill 452		8,783	
Fee Claims		8,147	
Prisoner Transport		895	19,969
Circuit Court Clerk:			
Arrest Fees			1,015
Fiscal Court			83,989
County Clerk - Delinquent Taxes			2,409
Commission On Taxes Collected			88,158
Fees Collected For Services:			
Auto Inspections		4,110	
Accident and Police Reports		101	
Executions and Arrests		11,526	
Carrying Concealed Deadly Weapon Permits		3,900	19,637
Other:			
Transporting Prisoners		3,576	
10% Add-On Fee		14,664	
Advertising Costs		708	
Advertising Fees		2,825	
Corps of Engineers		8,597	
Miscellaneous		903	31,273
Interest Earned			27
State Advancement			20,000
Total Revenues			274,630

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 RICKY RIDDLE, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 59,867	
Part-Time Salaries	11,150	
Other Salaries	<u>27,806</u>	\$ 98,823

Employee Benefits-

Employer's Share Social Security	7,157	
Employer's Share Retirement	8,620	
Unemployment Insurance	<u>2,557</u>	18,334

Materials and Supplies-

Office Materials and Supplies	5,666	
Uniforms	<u>1,693</u>	7,359

Auto Expense-

Gasoline	16,038	
Maintenance and Repairs	<u>5,017</u>	21,055

Other Charges-

Conventions and Travel	1,582	
Dues	600	
Postage	196	
Bond	7,942	
Carrying Concealed Deadly Weapons	3,635	
Contracted Services	25	
Transporting Prisoners	121	
Computer Maintenance	75	
Miscellaneous	<u>636</u>	14,812

Capital Outlay-

Vehicles		4,550
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State Advancement		<u>20,000</u>
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Total Expenditures	\$ 184,933
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Net Revenues	89,697
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Less: Statutory Maximum	<u>57,489</u>
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Excess Fees Due County for 2005	<u><u>\$ 32,208</u></u>
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The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 4. Drug Eradication Fund

The Sheriff's office maintained a Drug Eradication Fund. Receipts for this fund are from court ordered payments related to drug cases. These funds are reserved for law enforcement involving drug eradication purposes only and are not available for excess fee purposes. As of December 31, 2004, the Sheriff had an ending balance of \$370 in the Drug Eradication Fund. During the period of January 1, 2005 through December 31, 2005, this fund had receipts of \$2,760 and disbursements of \$2,155. As of December 31, 2005, the drug eradication fund balance was \$975.

Note 5. Drug Awareness Resistance Education Fund

The Clinton County Sheriff opened a bank account September 2005 for Drug Awareness Resistance Education (DARE) monies received. DARE monies are to be spent on the education of drug awareness and are not available for excess fee purposes. During the period of September 8, 2005 through December 31, 2005, this fund had receipts of \$1,805 and disbursements of \$1,222. As of December 31, 2005, the DARE account balance was \$583.

Note 6. Court Ordered Restitution

A former employee of the Clinton County Sheriff's office has been paying restitution applicable to 2002, 2003, and 2004 fee and tax accounts of the Sheriff's office. As of the audit date, a total of \$29,300 had been paid toward total court-ordered restitution of \$45,159 leaving a balance due of \$15,859.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated March 22, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Submit An Annual Settlement To The Fiscal Court

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

March 22, 2007

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Submit An Annual Settlement To The Fiscal Court

The Sheriff did not present a final settlement to the fiscal court for 2005.

KRS 134.310 (5) states, "In counties containing a population of less than seventy thousand (70,000), the Sheriff shall file annually with his final settlement:

- (a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and
- (b) A complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses."

We recommend the Sheriff present a final settlement to the fiscal court.

*Sheriff's Response: None*

INTERNAL CONTROL - REPORTABLE CONDITION:

The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

The Sheriff's office has a lack of segregation of duties over receipts. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties over receipts. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger, reconciling any differences. He could document this comparison by initialing the bank deposit ticket, the daily checkout, and receipts ledger.
- The Sheriff should periodically recount and deposit cash, documenting by initialing the bank deposit ticket.
- The Sheriff should conduct surprise cash counts, documenting by initialing the daily checkout sheet.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook, reconciling any differences. He could document this comparison by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response: None*

